

Tax Facts

Destination-based Sales Tax Education Efforts Continue

On July 1, 2008, Washington will change the way retailers who ship or deliver goods to Washington State customers collect local sales tax. Throughout the fall and early winter, the Department has been sponsoring free workshops throughout the state to help businesses learn about the destination-based sales tax and how it will affect their businesses.

We have also gathered information from attendees on additional resources and tools we can provide to make the transition to destination-based sales tax less of a challenge. Currently, the Department is analyzing a number of potential tools and working to develop these and other forms of assistance for businesses.

We will hold additional workshops in 2008 through the July 1 effective date. Check our web site for upcoming events. Topics that will be covered include:

- The Streamlined Sales and Use Tax Agreement, why it was adopted and how it could change the way you do business.
- Who is affected by the change.
- Business assistance and tools available to help make the change.

The agency will provide speakers for specialty groups upon request. To request a speaker, contact Rick Stedman at 360-705-6624/509-454-5196 or rickst@dor.wa.gov.

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Supreme Court Rules Added Taxes, Spending Limits Okay

On November 21, the Washington State Supreme Court upheld a package of tax increases that lawmakers passed to balance the state budget in 2005. The unanimous ruling says the Legislature and Governor did not violate Initiative 601's spending limits when they put together the package, which increased the tax on cigarettes and liquor, and applied sales tax to extended service warranties.

The Washington State Farm Bureau Federation and other groups filed suit, claiming the state had illegally bumped up the initiative's spending limit by shifting \$250 million between various state accounts. A lower-court judge agreed with the Farm Bureau last year. But the Supreme Court overruled the lower court, saying one state law can't bind the Legislature from changing laws in the future.

The Department of Revenue and Liquor Control Board had advised customers to retain their receipts in the event the taxes would have had to been refunded. The decision means that the liquor and cigarette taxes, and sales tax on extended warranties sales will continue in effect and refunds will not be available.

Upcoming Changes for City-imposed B&O Taxes

Effective January 1, 2008, cities that impose a B&O tax will require that income from sales of goods must be allocated to the place where the goods are delivered to the buyer. This change means that effective January 1, 2008, you may become subject to a city's B&O tax for sales of goods delivered into that city.

This change in city-imposed (municipal) B&O taxes is unrelated to Washington's adoption of destination-based sales tax. For state sales tax purposes, the place of sale will remain the location of the retail outlet from which delivery occurred until the requirement to change to destination-based sales tax on July 1, 2008.

A business owes a city's B&O tax only if it has established nexus within that city. "Nexus" generally requires a physical presence by the business or its agent/representative in the taxing city.

A seller that delivers goods into a city in their own vehicle may create nexus in that city, depending on the frequency of such deliveries. However, nexus is not created if a seller's only contact with a city is delivering goods into the city via a common carrier or the U.S. mail. Even if the seller has established nexus with a city, they may not have a tax obligation with that city if the seller's taxable income does not exceed a threshold established by the city.

If you have questions regarding the applicability of a city's B&O tax to your business, you should contact the city directly. Use the link at www.access.wa.gov/business/citylicenses.aspx for contact information.

The Department does not administer local B&O taxes.

Wineries – Clarification of Taxability and Refunds

The Department has determined that wineries that reported under the manufacturing business and occupation (B&O) tax classification qualify for a refund of B&O tax reported since January 1, 2003.

- For tax periods from January 1, 2003, through June 30, 2005, wineries qualify for the preferential tax rate provided to processors of fresh fruit.
- For tax periods on or after July 1, 2005, wineries qualify for the B&O tax exemption given to processors of fresh fruit.

For further information and instructions on the refund process, see our Special Notice "Wineries May Qualify for B&O Tax Refund," issued November 9, 2007.

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Rule Making

Following is a listing of the Department of Revenue's recent tax rule adoptions and repeals. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, visit us online at dor.wa.gov and click on "Find a rule or law." You may also call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

- 458-20-163 Insurance companies, including surety companies, fraternal benefit societies, fraternal fire insurance associations, beneficiary corporations or societies and Washington State health insurance pool. Effective September 17, 2007.
- 458-20-167 Educational institutions, school districts, student organizations, and private schools. Effective May 28, 2007.
- 458-20-197 When tax liability arises. Effective September 17, 2007.
- 458-20-229 Refunds. Effective September 13, 2007.
- 458-20-270 Telephone program excise tax rates. Effective September 17, 2007.
- 458-20-274 Staffing services. Effective September 20, 2007.

Property tax rules (WAC) adopted or amended:

- 458-16-115 Personal property exemptions for household goods, furnishings, and personal effects, and for the head of a family. Effective June 21, 2007.
- 458-18-060 Deferral of special assessments and/or property taxes – Limitations of deferral – Interest. Effective July 12, 2007.
- 458-30-300 Additional tax - Withdrawal or removal from classification. Effective November 18, 2007.
- 458-30-330 Open space plan and public benefit rating system - Authorization and procedure to establish - Adoption - Notice to owner - Valuation. Effective November 18, 2007.
- 458-30-700 Designated forest land - Removal - Change in status - Compensating tax. Effective November 18, 2007.

Forest tax rules (WAC) adopted or amended:

- 458-40-640 Timber excise tax – Stumpage value area (map). Effective July 30, 2007.
- 458-40-660 Timber excise tax – Stumpage value tables – Stumpage value adjustments. Effective July 20, 2007.

Changes to Interpretive/Policy Statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories and Property Tax Advisories, to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories adopted:

- 2002.16.179 (Ninth Revision) Low-density light and power utility deduction. Effective May 23, 2007.
- 2039.08.211 Car sharing organizations. Effective July 20, 2007.

Excise tax advisories cancelled (all effective June 29, 2007):

- 144.04.159 Distributor for out-of-state manufacturer - Agent or seller.
- 206.08.176 Restoration of a fishing vessel in this state for exhibition purposes by and in another state.
- 226.08.177 Automobile sales arranged by out-of-state firm but consummated through in-state dealer.
- 281.04.193 Interstate mail delivery by vendor of goods sold.
- 344.12.145 Local use tax - Allocation when credit allocated for sales or use taxes paid another state.
- 386.04.159 Consignee or seller.
- 411.04.111 Activities performed by nonprofit associations.
- 481.12.178 Sales or use tax applicable to items both leased and used for personal use.
- 521.04.241 1982 Standard deduction – Radio and television broadcasting.

Special Notices

The following Special Notices were recently issued. These notices discuss current issues as well as changes resulting from new legislation. They are available online at dor.wa.gov under "Get a form or Publication." You may also call 1-800-647-7706 to have a copy sent to you.

B&O Tax Deduction for Physicians and Clinics that Dispense Drugs by Infusion or Injection
– Issued September 11, 2007.

B&O Tax Exemption for Sales of Natural and Manufactured Gas by Industrial Users – Issued May 31, 2007.

Biofuel Sellers - Update – Issued July 6, 2007.

"Cold Storage Warehouse" Added to Warehouse Sales Tax Remittance Program – Issued July 2, 2007.

Electric Utility Tax Credit for Rural Economic Development Revolving Fund (includes application)
– Issued May 31, 2007.

Exemption for Certain Amateur Radio Repeaters
– Issued May 25, 2007.

Farm Fuel Users - Sales and Use Tax Exemption Update – Issued May 24, 2007.

Fireworks Sales: Distributors and Retail Sales by Nonprofit Organizations, Tax Registration and Reporting Requirements – Issued May 30, 2007.

Limited Exemption for Electronically Delivered Standard Financial Information – Issued May 31, 2007.

Nursing Facility Quality Maintenance Fee Repealed – Issued May 18, 2007.

Oil Spill Tax Rate Change – Issued March 15, 2007.

"Prepared Food" Tax Changes – Issued May 29, 2007.

Processing Plants and Cold Storage Warehouses
– Issued July 2, 2007.

Public Utility Tax Credits Available for "Billing Discounts" and "Qualifying Contributions" – Issued May 23, 2007.

Public Utility Tax Deduction for Certain Transportation Activities with Respect to Agricultural Commodities – Issued July 3, 2007.

Rural County B&O Tax Credit for New Employees in Manufacturing - Modifications – Issued July 12, 2007.

Sales of Auto Parts to Nonresidents and Annual Notification for Repair Facilities – Issued May 31, 2007.

Services for Farmers – B&O and Public Utility Tax Exemption – Issued May 22, 2007.

Streamlined Sales and Use Tax Agreement (SSUTA)
– Issued May 21, 2007.

Telephone Program Excise Tax Rates for Fiscal Year 2008 – Issued April 24, 2007.

Timber Activities - Reduced Business and Occupation Tax Rate – Revised June 18, 2007 – Originally Issued May 31, 2007.

Update - Replacement Parts for Farm Machinery and Equipment – Sales and Use Tax Exemption
– Issued June 27, 2007.

Vehicles and Parts Sales to Nonresidents
– Issued June 4, 2007.

Vessels and Nonresident Individuals Tax Exemptions and Use Permit – Issued June 13, 2007.

WashingtonFilmWorks Contributors B&O Tax Credit
– Issued April 3, 2007.

Wineries May Qualify for B&O Tax Refund – Issued November 9, 2007.

Reminder

Annual Filing Deadline is January 31

Use E-file this year! It's convenient, easy, and secure. And you can pay by VISA or MasterCard. See our web site at dor.wa.gov.

Year-end Tax Filing Questions? We Can Help!

<http://dor.wa.gov>

Use our web site to find all the resources you'll need to complete and file your excise tax return. You can also update or change your account information or close your account online. Simply click on the "Doing business" tab, then select "My account."

Automated telephone services

Simply call 1-800-647-7706 and select from the many available options.

Our toll free automated services allow you to:

- Access forms and information
- Change address information
- Close your business account
- Make other changes to your account

Personal service

Call our Telephone Information Center for personal assistance from 8 a.m. to 5 p.m., Monday through Friday. In January, the phone lines become very busy. To avoid a long wait:

1. Call early in the month. Have your UBI/tax registration number and tax return available. This nine-digit number is printed on your tax return, above the name and address label.
2. Know the type of return you've received – Combined Excise Tax Return, Sales Tax Remittance Return, Business and Occupation Activities Tax Return, or Retailing and Other Activities Tax Return.
3. Have your gross income figures (not including any sales tax collected) available to complete the return.
4. Stay on the line and be patient – we answer every call in the order received.

Tax Return Tips

Note: You must file a tax return, even if you had no business activity or don't owe any tax.

Completing and filing your return

- Register to file electronically at <http://dor.wa.gov> under "My account" to simplify your tax return filing.
- If you can't E-file, use the tax return we mailed to you. Use black ink when completing the paper return – the numbers are easier to read.
- Tax return reporting instructions are mailed with your return.
- Mail your completed return so the envelope is postmarked no later than January 31, 2008, for quarterly and annual filers, and January 25 for monthly filers.
- You can also hand deliver returns to any of our 12 local offices on or before the January 31, 2008, due date. Click on "Contact us" at the top of our home page or call 1-800-647-7706.

If you had no business activity or do not owe taxes

- File a no business return electronically. Visit dor.wa.gov.
- Tele-file a "no business" return using our automated telephone service at 1-800-647-7706.
- File a "no business" paper return by checking the "no business activity" box on the front of the form.

Local sales/use tax changes

- To find or confirm a location code and tax rate, see the Local Sales and Use Tax Rates and Changes Flyer included with your tax return or find it on our web site, dor.wa.gov. For the current flyer select "Find taxes and rates" from our home page, then select "Sale and Use Tax Rate Flyer" under the heading Sales and Use Tax Rates.

Small business B&O tax credit

- Don't forget to check and see if you qualify to take the Small Business B&O Tax Credit. Instructions and a chart to calculate the credit are included with your tax return.

Calculate the litter tax

- Retailers, wholesalers, and manufacturers of certain products owe litter tax on their gross sales of such products. For more details, see WAC 458-20-243. Access the WAC from our home page under "Find a law or rule" or call to request a copy.
- Need help determining whether you owe litter tax? Call our Telephone Information Center at 1-800-647-7706.

New Address for Use Tax Payments

If you report and pay use tax to the Department of Revenue via a Consumer Use Tax Return, please note the new mailing address, below. Beginning January 1, 2008, Consumer Use Tax Returns and payments should be addressed to:

***Department of Revenue**
PO Box 94481
Seattle, WA 98124-6781

Many residents don't realize there are Washington State tax obligations for goods and certain services purchased or otherwise acquired without paying sales tax. For instance, if a Washington resident makes retail purchases via the Internet and is not charged sales tax by the vendor, those items purchased are subject to use tax when they are first used in Washington. Use tax rates are the same as the local sales tax rate and can be found in the Local Sales and Use Tax Rates and Changes Flyer available at <http://dor.wa.gov>.

***Address was updated 1/10/08**

E-file. It's Easy.

E-filing is available anytime from anywhere you have internet access. It's fast, easy and secure. And it checks your return for errors.



<http://dor.wa.gov>
Need help? 1-877-345-3353

Upcoming Changes in Reporting Regional Transit Authority (RTA) Tax

The Department is continuously looking to simplify the tax reporting process. Reporting the RTA tax has historically been a significant source of reporting errors. To reduce these errors, we are changing the way the RTA tax is reported on excise tax returns.

Starting with the January 2008 reporting period, the RTA will no longer be reported on a separate line, but will be included in the rate for each local location code within the RTA area. For those locations that are partially included in the RTA area, new location codes have been developed to reflect areas that are outside of the RTA boundaries.

Specific information on this change, as well as the new location codes, is available on our web site and will be provided in the January 2008 Local Sales and Use Tax Rates and Changes Flyer. If you have questions, please contact the Department at 1-877-345-3353.

Federal Internet Tax Freedom Act Extended to 2014

On October 31, 2007, President George Bush signed H.R. 3678, the "Internet Tax Freedom Act Amendments Act of 2007," into law. The bill, as passed by Congress, extends the protections under the Internet Tax Freedom Act (ITFA) from state and local taxation of Internet access and from multiple and discriminatory taxes on electronic commerce until November 1, 2014. President Bush's signature ensures that the ITFA will not expire on November 1, 2007, as provided under prior law.

The Department of Revenue will soon publish an Excise Tax Advisory (ETA) clarifying the impact of the ITFA and H.R. 3678 on the taxation in Washington of sales by telecommunications providers to internet service providers. The ETA will address the extent of the preemption of tax on telecommunication services, including wireless services used to provide both traditional cellular phone service and internet service and broadband telecommunication services that are purchased separately from internet access. The ETA will be mailed to all telecommunications providers and posted on our web site at dor.wa.gov.

Retail Sales to Foreign and Domestic Nonresidents

Generally, sales tax applies on sales of goods to nonresidents **when the goods are delivered to the buyer in this state**. There is no “blanket” sales tax exemption for nonresidents (tourists).

Additionally, nonresidents do not qualify for a refund from the Department of the sales tax paid to the seller.

However, the law does provide two possible ways for nonresidents to purchase items in Washington without paying sales tax.

1. Residents of certain states, US territories, and Canadian provinces that have a state or provincial sales tax rate of less than 3 percent are eligible to purchase goods that they will take and use outside of Washington without paying sales tax. **This exemption is only available at the time of purchase. Sellers are not required to make such tax exempt sales.** No refund is available if the seller chooses to collect sales tax.

This exemption is commonly used by residents of Oregon, Montana, and the province of Alberta, Canada. For additional information on this exemption, see **Excise Tax Advisory (ETA) 2014.08.193**.

2. Nonresidents may purchase goods in Washington without paying sales tax if they do not take possession of the items in Washington and have the seller ship the items directly to their residence outside the state. This is considered an interstate/foreign sale and is exempt from sales tax as well as B&O tax.

Telephone Information Center Hours

Monday - Friday 8 a.m. - 5 p.m.

Tax Workshops

We offer workshops free of charge throughout the state. To view the updated schedule or for more information, visit our web site at dor.wa.gov, click on “Workshops and education” from the menu on the left side.

Once you find the workshop that’s right for you, register online or call us to sign up.

Destination-based sales tax

If your business delivers retail goods within Washington State new rules that go into effect July 1, 2008, will change the way you tax your customers. Learn about destination-based sales tax and how it will affect the sales tax rate you charge your customers.

Tribal workshops

Join us for an interactive workshop where we will uncover some of the biggest myths surrounding Washington State Tribes and Indian people. We will explore the meaning of Tribal sovereignty and discover how it impacts you and your community. You will have the opportunity to ask questions regarding Tribes and taxes and share information about the Tribal activities that are important in your local area.

Business Outreach

Learn the basics of Washington State taxes. As a small business or new business owner, this workshop will help you understand your tax reporting responsibilities.

Construction

This workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, public road construction, and construction on Indian land.

Unclaimed property holder education

Are you holding unclaimed property? Learn how to identify and report unclaimed property.

Our Workshops are Free
See our web site at dor.wa.gov

Taxpayer Services Division

Washington State Department of Revenue

PO Box 47478

Olympia, WA 98504-7478

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(206) 956-3000

734 E First St Suite B
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PORT ANGELES 98362-3605
(360) 417-9900

20819 72nd Ave South
Suite 680
KENT 98032-2390
(253) 437-3440

6500 Linderson Way SW
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TUMWATER 98501-7478
(360) 705-6676

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